# Obama's Tax Pledge: Already Broken, Might As Well Stomp on It

Jacob Sullum | October 30, 2009

Americans for Tax Reform lists the tax hikes in the House health care bill that would violate President Obama's campaign pledge to avoid "any form" of higher taxes on families making less than $250,000 a year. They include an income surtax of 2.5 percent for people who refuse to buy health insurance, a payroll tax on businesses that fail to buy insurance for their employees, and several restrictions on health savings accounts. Even when individuals or employers avoid the penalties for not buying insurance, the forced expenditure also should be considered a tax, as As Michael Cannon argues in a recent Cato Institute paper:

> President Obama's National Economic Council chairman Larry Summers explains that because employer mandates force workers to purchase health insurance, they "are like public programs financed by benefit taxes." The same can be said of an individual mandate: when government forces people to purchase something they do not value, or pay more than the market would require, that is a tax—even if the money never enters the public treasury. Princeton health economist Uwe Reinhardt writes that "[just because] the fiscal flows triggered by [a] mandate would not flow directly through the public budgets does not detract from the measure's status of a *bona fide* tax."

Furthermore, the mandate/tax on employers arguably breaks Obama's pledge not only when the business owner makes less than $250,000 a year but also when any of his employees do. Cannon again:

> From a tax perspective, there is little difference between an individual mandate and an employer mandate. Both are a tax on workers.
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> In a recent survey, 90 percent of health economists agreed with the statement, "Workers pay for employer-sponsored health insurance in the form of lower wages or reduced benefits." The Congressional Budget Office explains sponsored health insurance to require private that workers would also pay any government-imposed penalties: "if employers who did not offer insurance were required to pay a fee, employees' wages and other forms of compensation would generally decline by the amount of that fee from what they would otherwise have been." An employer mandate

> should therefore be labeled an *employee* mandate.

I discuss the president's refusal to call a tax a tax here, here, and here. Lest we forget, Obama first broke his tax pledge a couple weeks after taking office by signing a bill that raised the federal excise tax on cigarettes. White House spokesman Robert Gibbs argued that it didn't really count, because "people make a decision to smoke." In this case, people are being taxed simply for existing within the borders of the United States. That's a decision too, I suppose.